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C O N F I D E N T I A L SECTION 01 OF 03 KUWAIT 001003

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E.O. 12958: DECL: 03/25/2016
TAGS: [EAID](#) [PREL](#) [EFIN](#) [KU](#) [XF](#)
SUBJECT: ARAB FUND DG ON AID FOR IRAQ AND REGIONAL
DEVELOPMENT COORDINATION

REF: A. KUWAIT 0883

[1](#)B. KUWAIT 0087

Classified By: Ambassador Richard LeBaron for reasons 1.4 (b) and (d)

[1](#)1. (C) Summary and Comment: Arab Fund Director General Abdulatif Al-Hamad told DoS Counselor Dr. Philip Zelikow on March 19 that the Arab Fund's highest priority is drinking water projects and that it could use its organizational agility to "close the gaps" in unfinished water projects throughout the region. Though it is not their usual practice to let U.S. agencies facilitate their aid effort, Al-Hamad agreed to do this with Iraq, as a "special case." He also indicated some willingness to use the Fund's coordinating position among other Arab development organizations in order to help line up a possible consortium for Iraq on a large scale, as part of an international compact. Al-Hamad said that the Arab Fund could help with water projects in Iraq and would need to be put in touch with the appropriate people. He emphasized that the Arab Fund's approach is to have grant and loan recipients "own the projects" but added that the Fund has "professional staff" that can provide training and guidance as needed. Al-Hamad welcomed a side meeting with USG representatives at upcoming Arab Fund coordinating group meetings in May or July, adding that he felt comfortable that the various regional funds and the USG could "work out synchronization of our efforts."

[1](#)2. (C) Comment: The Arab Fund is an organization that takes its mission seriously and has been quite successful, under Al-Hamad's leadership, at bringing together funding for regional projects with little political interference. Sustained high-level engagement with this organization, and attendance at the side meetings suggested by Al-Hamad, could be a key factor in creating greater cooperation on regional development and assistance between the USG and the various funds and donor governments in the region. Critical to the Arab Fund's further involvement with Iraq will be the settlement of an estimated \$65 million in arrears dating from pre-1990 project financing loans on which Iraq defaulted. End Summary and Comment.

Arab Fund and Coordinating Group Background

13. (U) DoS Counselor Dr. Philip Zelikow met March 19 with Abdulatif Al-Hamad, the Director General of the Arab Fund for Economic and Social Development (AFESD). The organization, headquartered in Kuwait, is made up of the 21 member states of the Arab League, with each state represented on the AFESD Board of Governors by its Finance Minister or equivalent. Since its founding in 1968 through the end of 2004 (latest data available), the AFESD has committed \$16.2 billion in project financing loans for regional development and has provided \$359 million in direct technical assistance, mostly in the areas of institutional support and training. Al-Hamad said that there are about fifty professional staff employed by AFESD.

14. (U) The AFESD also acts as the Secretariat for the Coordination Group of Arab National and Regional Development Institutions (Arab Aid - <http://www.arabaid.org>). This group is made up of the Abu Dhabi Fund for Development, the Arab Bank for Economic Development in Africa, the Islamic Development Bank, the Kuwait Fund for Arab Economic Development, the OPEC fund for Economic Development, the Saudi Fund for Development, and AFESD itself. An Arab Fund Board Meeting is expected in April, and Arab Aid coordinating group meetings are expected in May and July.

A Need for "Milers and Sprinters" In Aid Efforts

15. (C) Al-Hamad said that he was "delighted" that the USG is thinking about expanding its partnerships on aid and assistance with regional institutions, as articulated by the Counselor. He noted a need for "milers and sprinters" in the race to provide adequate development aid, adding later that

KUWAIT 00001003 002 OF 003

the AFESD is "nimble" and "can move quickly" on development projects. Al-Hamad pointed out that the Arab Fund "has completed unsuccessful World Bank projects" and other projects left unfinished by others. He said that the main focus of the Fund is currently on drinking water projects, with a long range view to manage problems. He added that the Fund is "trying to close the gaps between big water treatment plants and homes" throughout the region.

Iraq: "A Special Case" For Greater Coordination

16. (C) Offering his opinion on development prospects for Iraq, Al-Hamad said "Saddam is like a cancer. We're glad it's been removed, but the body takes a long time to heal." He added that Kuwait is "proud of the free elections (in Iraq), but it's taking too long for political squabbling." There are many elements "fiddling in the pond," he said, "muddying the waters" with "too much internal arguing." In order for the regional development institutions and others to help Iraq, he explained, the Iraqis "need to put their act together." They need "sensible, rational people. It doesn't matter if they're Shi'a, Kurd, whatever." Al-Hamad pointed out that, while the current situation in Iraq is described by some as "glass half-full" and others "glass half-empty", either one "is better than an empty glass."

17. (C) When the Counselor mentioned that the USG has teams throughout Iraq working on water projects the Director General said that we should coordinate together on this and that we could "get a lot of Iraqis working on these projects." Al-Hamad noted that the AFESD "does not normally have people on the ground," and that aid recipients "must own the process themselves." Referring to the high level of coordination being requested on development assistance to Iraq, Al-Hamad said that it is likely that the Arab Fund "would have said no if asked about this for another country, but Iraq is a special case." He said that, in order for the Arab Fund to become fully involved again with assistance to Iraq, the Iraqi Ministry of Finance "needs to engage with the

Arab Fund on arrears" from pre-1990 loans (estimated at \$65 million, see Ref B).

Coordination on Aid: U.S. Welcome at Arab Aid Side Meetings

¶8. (C) The Director General said that the "national characteristics vary among the funds," and that "only the Arab Fund and the Kuwait Fund have professional staff and are serious" in the way that they decide on development assistance. He explained that, while the Arab Fund is able to decide on targeted aid and development assistance with some autonomy, most of the other funds have to wait for a "political decision" on aid recipients. Al-Hamad added that the Arab Fund "needs to be transparent in all our dealings" and that it wouldn't hesitate to tell (the USG about its) plans." He added that he "just didn't know the best format for information sharing."

¶9. (C) The Counselor suggested that a high-level USG delegation meet with the Arab Aid coordinating group to discuss ways to work together on regional aid and development. Al-Hamad responded that the coordinating group would be meeting in May and July and that a side meeting could be organized for a USG delegation. (Note: The May 2006 meeting will be celebrating the 30th anniversary of the establishment of the OPEC Fund. End Note.) He added that the coordinating group used to meet with USG representatives but has not done so is a long time. Al-Hamad said that it would not be a problem for the Arab Fund and other members of the coordinating group "to say 'in the next three to five years we can commit X amount of dollars', but we need to see the details of the projects." He added that he is comfortable that the various regional funds and the USG could "work out (a) synchronization of our efforts." "But," he noted, "it cannot be tied to American political desires." Al-Hamad emphasized that the AFESD "does not get involved in political decisions, just administrative."

KUWAIT 00001003 003 OF 003

Regional Successes: Lebanon, Sudan, Palestinian Areas

¶10. (C) Al-Hamad said that he saw the Lebanese Prime Minister in December 2005 and told the PM that the Arab Fund "is ready to help." He added that he told the PM "to focus specifically on what could be achieved." He said that the Arab Fund is currently engaged in financing training and administrative reform for the Government of Lebanon.

¶11. (C) The Director General highlighted the Merowe Dam project in Sudan as an example of successful coordination among the various Arab development institutions, especially given the difficult political and security climate in Sudan. He said that the Arab Fund had worked with other organizations to bring together \$1.5 billion in funding for the project. Al-Hamad added that the Arab Fund is "taking a long-term view" of development in Sudan.

¶12. (C) Regarding aid to the Palestinians, Al-Hamad said that the Arab Fund "has been involved for the last twenty-five years" in providing assistance to the Palestinians, "and we will continue." He noted that the Fund has "never (been) involved with the political machinery" of the Palestinian Authority, choosing to deliver its aid directly to the Palestinian people through other channels. As an example, he discussed the student tuition support that the Fund has provided to Palestinian university students for the last few years. The funding "keeps the young people off the streets," he explained. He said that the project was supported "by wealthy Palestinians" and that they "try to keep the politicians out."

¶13. (C) Al-Hamad offered his take on the recent Palestinian elections and the ongoing cabinet formation, saying that it

would be "a great loss" for the Palestinian Finance Minister to be out of the new Cabinet. He said that he was "glad that Hamas came to power through elections" because now they would have to "face the acid test." He characterized the recent elections as "a vote against Fatah, not a vote for Hamas," and suggested that Hamas should be judged not for what they are doing now but for what they do after the next Israeli election.

¶14. (U) Counselor Zelikow cleared on this cable.

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